

Message Text

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12

ACTION STR-04

INFO OCT-01 IO-11 ISO-00 STRE-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 /092 W

----- 117325

R 121810Z MAR 76

FM USDEL MTN GENEVA

TO SECSTATE WASHDC 1258

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ACTION STR

PASS TREASURY

H PASS CODEL

EO 11652: N/A

TAGS: ETRD MTN

SUBJECT: SUBSIDIES/CVD -- INDIAN PROPOSAL

REFS: (A) MTN/MTN,W/26/ADD3, 11 NOV 75; B) MATN GENEVA

8630, PARA 9

1. MTN DEL WISHES TO REMIND WASHINGTON AGENCIES THAT
AT SUBSIDIES/CVD MEETING SCHEDULED BEGIN APRIL 5, US
WILL BE EXPECTED TO OFFER SUBSTANTIVE COMMENTS ON INDIAN
PROPOSAL REF A. BECAUSE THIS PROPOSAL WAS MADE ORALLY
AND THEN CIRCULATED DURING THAT MEETING, US DEL WAS
ABLE TO AVOID ANY SIGNIFICANT SUBSTANTIVE COMMENT OTHER THAN
AS REPORTED REF B. HOWEVER AS WE NOTED DURING NOV MEETING,
INDIAN PROPOSAL IS IN FACT A THOUGHTFUL EXPOSITION OF
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THE LDC CASE FOR PROPRIETY OF--AND IN THEIR VIEW NECESSITY

FOR--EXPORT SUBSIDIES. MTN DEL HOPES WASHINGTON AGENCIES WILL BE IN POSITION TO DEVELOP AN EQUALLY CAREFUL US RESPONSE PRIOR TO APRIL 5. IF TIME PERMITS, THIS MIGHT BE APPROPRIATE TOPIC FOR PRELIMINARY EXCHANGE OF VIEWS WITH EC DURING US-EC BILATERAL IN WASHINGTON MARCH 18.

2. ONE POINT OF INTEREST IN INDIAN SUBMISSION IS STATEMENT IN PARA 5 REF A THAT THE RIGHT OF LDC'S TO GRANT SUBSIDIES "...SHOULD BE RECOGNIZED AND BUILT INTO THE PROVISIONS OF GATT." THIS DIFFERS FROM TRADITIONAL LDC LINE OF ARGUMENTATION THAT SINCE NO LDC SUBSCRIBED TO DECLARATION GIVING EFFECT TO PARA 5 OF ART XVI, LDC'S ACCORDINGLY (SIC) HAVE FREE HAND TO SUBSIDIZE AT WILL. THIS IS ENCOURAGING, ALTHOUGH OUR ENTHUSIASM WILL HAVE TO BE TEMPERED BY UNFORTUNATE QUALIFICATION INTRODUCED BY INDIANS IN THE SAME PARA 5 OF REF A, ACCORDING TO WHICH THIS RIGHT OF LDC'S TO SUBSIDIZE SHOULD TAKE INTO ACCOUNT THE INTERESTS OF OTHER "EXPORTING DEVELOPING COUNTRIES," I.E. US AND OTHER DC'S HAVE NO RIGHTS WHICH DESERVE TO BE TAKEN INTO CONSIDERATION.

3. SUGGEST PARTICULAR ATTENTION TO PARA 4 (IV) OF REF A. INDIAN REF TO INABILITY TO REFUND EXCISE DUTIES ON INTERMEDIATES RATHER PUZZLING TO US SINCE WE BELIEVE ALL COUNTRIES, INCLUDING US, ARE REBATING EXCISE TAXES UNDER PREVAILING GATT RULES ON INDIRECT TAXES. PROBLEM CITED BY INDIANS IN LAST SENTENCE OF SAME PARA ALSO SEEMS SUSCEPTIBLE OF BEING HANDLED VIA TRADITIONAL DRAWBACK PROCEDURES. CULBERT

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